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August 23, 2005

**VIA HAND DELIVERY**

Mr. Charles L.A. Terreni  
Chief Clerk/Administrator  
South Carolina Public Service Commission  
101 Executive Center Dr., Suite 100  
Columbia, SC 29210

RECEIVED  
AUG 23 2005  
PSC SC  
DOCKETING DEPT.

Re: Notice of Election of Piedmont Natural Gas Company, Inc. for  
Application of the Natural Gas Rate Stabilization Act to Its Rates and  
Charges  
**Docket No. 2005-125-G**

Dear Mr. Terreni:

I am writing concerning the testimony filed by Piedmont Natural Gas Company, Inc. ("Piedmont") on behalf of Mr. Bill R. Morris in regards to the hearing currently set for September 14, 2005.

It is my understanding that the Commission set the September 14<sup>th</sup> hearing for the sole purpose of providing a forum to discuss the basis upon which the Commission should rely in making its adjustments pursuant to the Natural Gas Rate Stabilization Act. Specifically, the Act provides that the Commission shall "rely upon and utilize the approved rates, charges, revenues, expenses, capital structure, returns, and other matters established in the public utility's most recent general rate proceeding..."

To this end, the testimony filed by Piedmont on August 18 directs the Commission to the utility's most recent rate proceedings and the matters established by the Commission therein. The Office of Regulatory Staff has reviewed this testimony and concurs that Column 1 of Exhibit BRM-1 accurately reflects the various components established by the Commission in Docket No. 2002-63-G, and that these figures form the baseline for implementation of the provisions of the Act to Piedmont's rates and charges. ORS also acknowledges that, in Docket No. 2002-63-G, the Commission approved a cost of equity of 12.6% and that the statutory range specified by Section 58-5-410 would be 12.1% - 13.1%.

While the testimony addressed the issue of the baseline for the implementation of the Act, Piedmont's Exhibit BRM-1 also contains information and components relative to the requested increase. We believe this hearing was not scheduled to discuss the appropriateness of the adjustments themselves, and, as such, ORS does not respond to the appropriateness of these adjustments at this time. ORS is currently auditing the proposed increase and will comment on the requested increase in its audit report to be filed on September 1 pursuant to Section 58-5-455(3).

As a result, ORS does not intend to file direct testimony for the September 14 hearing. As ORS does not dispute the baseline to be established by the Commission, we would suggest that the September 14 hearing is not necessary. ORS would request that the Commission include this matter on its next Meeting Agenda to discuss the necessity of proceeding with the September 14 hearing.

Please let me know if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ben Mustian', with a long horizontal flourish extending to the right.

Benjamin P. Mustian

cc: James H. Jeffries, Esquire  
Scott Elliott, Esquire